

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name City of Grand Ledge Downtown Development Authority		County Eaton	
Audit Date 6/30/05		Opinion Date 8/24/05		Date Accountant Report Submitted to State: 12/8/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

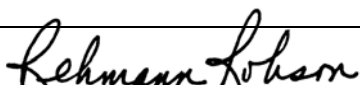
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 				

**City of Grand Ledge Downtown Development Authority**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**June 30, 2005**

	<u>Special Revenue</u>	<u>1994 Debt Service</u>	<u>2001 LTGO Parking Lot Debt Service</u>	<u>Capital Projects</u>	<u>Parking Lot Capital Project</u>	<u>Totals Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b><u>ASSETS</u></b>								
<b>Assets</b>								
Cash and cash equivalents	\$ 100,779	\$ 7,114	\$ 410	\$ 98,117	\$ 56,051	\$ 262,471	\$ -	\$ 262,471
Taxes receivable	5,881	-	-	-	-	5,881	-	5,881
Capital assets not being depreciated	-	-	-	-	-	-	48,892	48,892
Capital assets being depreciated, net	-	-	-	-	-	-	1,119,898	1,119,898
<b>Total assets</b>	<u>\$ 106,660</u>	<u>\$ 7,114</u>	<u>\$ 410</u>	<u>\$ 98,117</u>	<u>\$ 56,051</u>	<u>\$ 268,352</u>	<u>1,168,790</u>	<u>1,437,142</u>
<b>Liabilities</b>								
Accounts payable	\$ 43	\$ -	\$ 250	\$ 6,391	\$ 5,187	\$ 11,871	-	11,871
Accrued interest payable	-	-	-	-	-	-	31,060	31,060
Due to other governments	35,650	-	-	-	-	35,650	-	35,650
Long-term liabilities:								
Due within one year	-	-	-	-	-	-	324,750	324,750
Due in more than one year	-	-	-	-	-	-	3,732,850	3,732,850
<b>Total liabilities</b>	<u>35,693</u>	<u>-</u>	<u>250</u>	<u>6,391</u>	<u>5,187</u>	<u>47,521</u>	<u>4,088,660</u>	<u>4,136,181</u>
<b>Fund balances</b>								
Designated for subsequent year expenditures	8,067	-	-	-	48,200	56,267	(56,267)	-
Unreserved, undesignated	62,900	7,114	160	91,726	2,664	164,564	(164,564)	-
<b>Total fund balances</b>	<u>70,967</u>	<u>7,114</u>	<u>160</u>	<u>91,726</u>	<u>50,864</u>	<u>220,831</u>	<u>(220,831)</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 106,660</u>	<u>\$ 7,114</u>	<u>\$ 410</u>	<u>\$ 98,117</u>	<u>\$ 56,051</u>	<u>\$ 268,352</u>		
<b>Net assets</b>								
Invested in capital assets, net of related debt							93,790	93,790
Restricted for debt service							7,274	7,274
Restricted for capital projects							142,590	142,590
Unrestricted (deficit)							(2,942,693)	(2,942,693)
<b>Total net assets (deficit)</b>							<u>\$ (2,699,039)</u>	<u>\$ (2,699,039)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRAND LEDGE  
DOWNTOWN DEVELOPMENT  
AUTHORITY**

**Grand Ledge, Michigan**

**FINANCIAL STATEMENTS**

**For the Year Ended  
June 30, 2005**



**REHMANN ROBSON**

*Certified Public Accountants*

# **City of Grand Ledge Downtown Development Authority**

## **TABLE OF CONTENTS**

---

	<b><u>PAGE</u></b>
<b>Independent Auditors' Report</b>	<b>1</b>
<b>Basic Financial Statements for the Year Ended June 30, 2005</b>	
Statement of Net Assets and Governmental Funds Balance Sheet	2
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances	3
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	4
Notes to Basic Financial Statements	5-11

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



## **INDEPENDENT AUDITORS' REPORT**

August 24, 2005

Board of Directors  
City of Grand Ledge Downtown Development Authority  
Grand Ledge, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the ***CITY OF GRAND LEDGE DOWNTOWN DEVELOPMENT AUTHORITY, a component unit of the City of Grand Ledge, Michigan***, as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the ***City of Grand Ledge Downtown Development Authority*** at June 30, 2005, and the respective changes in financial position thereof, and the budgetary comparison for the Special Revenue Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

## **BASIC FINANCIAL STATEMENTS**

**City of Grand Ledge Downtown Development Authority**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balances**  
**For the Year Ended June 30, 2005**

	<b>Special Revenue</b>	<b>1994 Debt Service</b>	<b>2001 LTGO Parking Lot Debt Service</b>	<b>Capital Projects</b>	<b>Parking Lot Capital Project</b>	<b>Totals Governmental Funds</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenue</b>								
Taxes	\$ 784,670	\$ -	\$ -	\$ -	\$ -	\$ 784,670	\$ -	\$ 784,670
Interest	3,679	2,234	409	1,873	1,374	9,569	-	9,569
Other	1,155	-	-	9,721	-	10,876	-	10,876
Total revenue	789,504	2,234	409	11,594	1,374	805,115	-	805,115
<b>Expenditures / expenses</b>								
Economic development	-	-	-	-	-	-	292,781	292,781
Capital outlay	-	-	-	145,372	68,881	214,253	(214,253)	-
Debt service:								
Principal	-	268,850	45,000	-	-	313,850	(313,850)	-
Interest and fiscal charges	-	149,400	50,868	-	-	200,268	(2,226)	198,042
Total expenditures / expenses	-	418,250	95,868	145,372	68,881	728,371	(237,548)	490,823
Revenue over (under) expenditures	789,504	(416,016)	(95,459)	(133,778)	(67,507)	76,744	237,548	314,292
<b>Other financing sources (uses)</b>								
Transfers in	-	418,354	95,619	226,464	-	740,437	(740,437)	-
Transfers out	(740,437)	-	-	-	-	(740,437)	740,437	-
Transfers to primary government	-	-	-	(97,626)	-	(97,626)	97,626	-
Total other financing sources (uses)	(740,437)	418,354	95,619	128,838	-	(97,626)	97,626	-
Net changes in fund balances / net assets	49,067	2,338	160	(4,940)	(67,507)	(20,882)	335,174	314,292
<b>Fund balances/net assets (deficit)</b>								
Beginning of year	21,900	4,776	-	96,666	118,371	241,713	(3,255,044)	(3,013,331)
<b>End of year</b>	<b>\$ 70,967</b>	<b>\$ 7,114</b>	<b>\$ 160</b>	<b>\$ 91,726</b>	<b>\$ 50,864</b>	<b>\$ 220,831</b>	<b>\$ (2,919,870)</b>	<b>\$ (2,699,039)</b>

The accompanying notes are an integral part of these financial statements.

**City of Grand Ledge Downtown Development Authority**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Special Revenue Fund**  
**For the Year Ended June 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenue</b>				
Taxes	\$ 705,606	\$ 705,606	\$ 784,670	\$ 79,064
Interest	3,000	3,000	3,679	679
Other	-	-	1,155	1,155
Total revenue	708,606	708,606	789,504	80,898
<b>Other financing uses</b>				
Transfers out	740,437	740,437	740,437	-
Revenue over other uses	(31,831)	(31,831)	49,067	80,898
Fund balances, beginning of year	31,831	31,831	21,900	(9,931)
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,967</u>	<u>\$ 70,967</u>

The accompanying notes are an integral part of these financial statements.



# City of Grand Ledge Downtown Development Authority

## Notes to Financial Statements

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grand Ledge Downtown Development Authority (the “Authority” or “DDA”) was established pursuant to Public Act 197 of 1975, as amended. The Authority’s purpose is to revitalize and plan for the controlled development of the Grand Ledge downtown business district.

**Reporting Entity** – These financial statements present the financial position and the results of operations of the Authority. The DDA is a discretely presented component unit of the City of Grand Ledge, Michigan (the “City” or “primary government”) and its financial statements are an integral part of that reporting entity because the City has the ability to significantly influence its operations and has accountability for fiscal matters. The Authority operates under the supervision of a Citizen’s Advisory Committee appointed by the City Council.

**Authority-wide and Fund Financial Statements** – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined authority-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to authority-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** – The authority-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following major governmental funds:

- Special Revenue Fund
- Debt Service Funds:
  - 1994 Debt Service
  - 2001 LTGO Parking Lot
- Capital Projects Funds:
  - Capital Projects
  - Parking Lot Capital Project

# City of Grand Ledge Downtown Development Authority

## Notes to Financial Statements

---

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for the Authority's operations (excluding debt service).

*Debt service funds* account for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

*Capital projects funds* account for the use of resources, primarily bond proceeds, in constructing or acquiring capital assets, including buildings and land improvements.

As a general rule the effect of interfund activity, if any, has been eliminated from the authority-wide financial statements.

**Capital Assets** – Capital assets, which include property and equipment, are reported in the government-wide financial statements. The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Infrastructure assets (e.g., roads, bridges, curbs, sidewalks, storm sewers and similar items), along with water and wastewater subsystems, constructed by the Authority, if any, are not recorded as the Authority's capital assets, even though the Authority may be obligated to repay the debt issued to finance the related projects. Such capital assets become the property of the City when they are placed into service and, accordingly, are reported in the City's capital assets.

The Authority's capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	25

**Long-term Obligations** – In the authority-wide financial statements, long-term debt is reported as a liability. Bond discounts, premiums, issuance costs and refunding losses are deferred and amortized over the life of the applicable bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount, premium and deferred loss. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Discounts or premiums on debt issuances are reported as other financing uses or sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# City of Grand Ledge Downtown Development Authority

## Notes to Financial Statements

---

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Budgetary Information** – The special revenue fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. The Authority follows the City budget process in establishing the budgetary data reflected in the financial statements:

- Prior to the first regular Council meeting in April, the Authority submits to City Council a proposed budget for the fiscal year beginning the following July 1. The budget includes proposed expenditures and the means for financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Not later than the first Council meeting in June, the budget is legally enacted through passage of a resolution.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or amended by the City Council during the year. Individual amendments were not material in relation to the original appropriations.

## 2. CASH AND CASH EQUIVALENTS

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

The City maintains common checking accounts for substantially all funds, including the Authority's. Each fund's share of the aggregate cash balance is reported separately. Surplus funds are invested throughout the year. The City allocates interest earnings to the funds in proportion to the average cash balance of each fund.

At year-end, the carrying amount and the bank balance of the Authority's deposits were \$262,471. Cash categorizations are included in the City's financial statements to give an indication of the aggregate level of risk at year-end. It is not feasible to allocate the level of risk to the Authority.

# City of Grand Ledge Downtown Development Authority

## Notes to Financial Statements

### 3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Capital assets not being depreciated</b>				
Land	\$ 48,892	\$ -	\$ -	\$ 48,892
<b>Capital assets being depreciated</b>				
Land improvements	1,175,721	68,882	-	1,244,603
Accumulated depreciation	<u>(74,921)</u>	<u>(49,784)</u>	-	<u>(124,705)</u>
Capital assets being depreciated, net	<u>1,100,800</u>	<u>19,098</u>	-	<u>1,119,898</u>
<b>Total capital assets, net</b>	<b><u>\$ 1,149,692</u></b>	<b><u>\$ 19,098</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,168,790</u></b>

### 4. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2005 was as follows:

	<b><u>Interest Rates</u></b>	<b><u>Principal Outstanding</u></b>
<b>Bonds:</b>		
1998 development refunding	3.9-4.850%	\$ 2,795,000
2001 development	4.0-4.875%	<u>1,075,000</u>
		<u>3,870,000</u>
<b>Notes:</b>		
1998 purchase contract (Larson)	5.0%	66,100
1998 purchase contract (Kingroy)	5.0%	<u>121,500</u>
		<u>187,600</u>
		<b><u>\$ 4,057,600</u></b>

# City of Grand Ledge Downtown Development Authority

## Notes to Financial Statements

The following is a summary of the changes in long-term debt for the year ended June 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 4,165,000	\$ -	\$ (295,000)	\$ 3,870,000	\$ 305,000
Notes payable	206,450	-	(18,850)	187,600	19,750
	<u><u>\$ 4,371,450</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (313,850)</u></u>	<u><u>\$ 4,057,600</u></u>	<u><u>\$ 324,750</u></u>

The annual requirements to pay principal and interest are as follows:

<u>Year Ended June 30,</u>	<u>Bonds</u>		<u>Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 305,000	\$ 176,974	\$ 19,750	\$ 9,382
2007	320,000	163,994	20,700	8,390
2008	335,000	150,249	21,750	7,358
2009	350,000	135,646	22,700	6,270
2010	350,000	120,034	23,800	5,134
2011-15	1,710,000	361,288	78,900	8,024
2016-20	405,000	84,170	-	-
2021	95,000	4,631	-	-
	<u><u>\$ 3,870,000</u></u>	<u><u>\$ 1,196,986</u></u>	<u><u>\$ 187,600</u></u>	<u><u>\$ 44,558</u></u>

# City of Grand Ledge Downtown Development Authority

## Notes to Financial Statements

---

### 5. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the component-wide statement of net assets, which reconciles fund balances to net assets:

<b>Fund balances</b>	\$ 220,831
<b>Adjustments:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Add – Capital assets	1,293,495
Deduct – accumulated depreciation	(124,705)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds	
Deduct – long-term liabilities	(4,057,600)
Deduct – accrued interest on long-term liabilities	<u>(31,060)</u>
<b>Net assets (deficit)</b>	<b><u>\$ (2,699,039)</u></b>

# City of Grand Ledge Downtown Development Authority

## Notes to Financial Statements

---

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the authority-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

<b>Net change in fund balances</b>	<b>\$ (20,882)</b>
------------------------------------	--------------------

**Adjustments:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Add – capital outlay	68,882
Deduct – depreciation expense	(49,784)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

Add – principal payments on long-term liabilities	313,850
---	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add – decrease in accrued interest payable on bonds	<u>2,226</u>
---	--------------

<b>Change in net assets</b>	<b><u><u>\$ 314,292</u></u></b>
-----------------------------	---------------------------------

\* \* \* \* \*